

Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 AID-05 CEA-01 CIAE-00 COME-00 EB-08
EA-10 FRB-03 INR-10 IO-13 NEA-11 NSAE-00 ICA-11
OPIC-03 SP-02 TRSE-00 LAB-04 SIL-01 AGRE-00
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P 262009Z MAY 78
FM AMEMBASSY PARIS
TO SECSTATE WASHDC PRIORITY 2234

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USOECD

E.O. 11652: N/A
TAGS: EGEN, OECD, EAID
SUBJECT: OECD MINISTERIAL PREPARATIONS: RELATIONS
WITH DEVELOPING COUNTRIES

REF: A. STATE 132649 B. PARIS 16620

1. HEADS OF DEL MAY 25-26 DISCUSSED SECRETARIAT
PAPER ON NORTH/SOUTH RELATIONS, CE(78)90, ONLY BRIEFLY,
AS FEW DELS WERE PREPARED TO COMMENT AT THIS STAGE.
SECRETARIAT REPORTED ON DAC DISCUSSION OF PAPER
DAC(78)16 ON INVESTMENT IN LDC'S (SEE REF B) AND
STATED THAT, ALTHOUGH THIS PAPER WILL BE REVISED,
IT WILL NOT BE PRESENTED TO THE MINISTERIAL. IN-
VESTMENT SECTION OF CE(78)90 WILL BE REVISED TO REFLECT
DAC DISCUSSION, AND WHOLE PAPER WILL BE DISCUSSED
AGAIN AT HEADS OF DEL JUNE 1.

2. IN COURSE OF MEETING, US MADE POINT IN REF A,
ASKING FOR MORE BALANCED TEXT ON DEVELOPMENT ASSIS-
TANCE TO TAKE INTO ACCOUNT RECENT FAVORABLE DEVEL-
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OPMENTS IN DAC MEMBERS COMMITMENTS. JAPAN SUPPORTED
U.S. AND ALSO ASKED FOR DELETION OF REFERENCE TO
COUNTRIES IN A STRONG BOP POSITION. UK SUGGESTED
BREADTH OF PAPER AND NUMBER OF TOPICS COVERED
WOULD MAKE IT DIFFICULT TO ORGANIZE AN INTERESTING
GIVE AND TAKE BETWEEN MINISTERS. CANADA CAUTIONED
AGAINST ASSUMING TOO MUCH CONVERGENCE OF INTEREST

AMONG OECD COUNTRIES IN RAW MATERIALS AREA. FRENCH
DEL THREW DOSE OF COLD WATER ON THE INVESTMENT
SECTION OF THE PAPER, STATING VIEW THAT (A) MACRO-
ECONOMIC ASPECT HAD BEEN OVER-STRESSED, (B) THE
SECTORAL FOCUS WAS TOO LIMITED, (C) THE "CO-FINANCING"
PROPOSAL WOULD BE EXTREMELY COSTLY TO GOVERNMENTS, (D)
THE "BASIC HUMAN NEEDS" EMPHASIS HAD BEEN NEGLECTED,
AND (E) INVOLVEMENT OF IFI'S WOULD NOT BE VIEWED
FAVORABLY BY LDC'S BECAUSE OF CONDITIONS THESE
INSTITUTIONS OFTEN ATTACHED TO THEIR PARTICIPATION.
FRENCH DEL CONCLUDED THAT WHOLE IDEA NEEDED MORE STUDY
BEFORE SERIOUS CONSIDERATION BY MINISTERS, AND THAT
BEST COURSE WAS FOR MINISTERS TO EXPRESS INTEREST
IN SUBJECT AND ASK OECD TO STUDY IT FURTHER. JAPAN
ALSO EXPRESSED CONCERN ABOUT COSTS OF INVESTMENT
PROGRAM. BELGIAN SPOKESMAN ARGUED THAT THE MAJOR
DETERRENT TO MORE PRIVATE INVESTMENT IN THIRD WORLD
IS POOR INVESTMENT CLIMATE IN MANY LDC'S. ON

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TRADE AND ADJUSTMENT (SECTION III), JAPANESE DEL
OBJECTED TO REFERENCE TO ADJUSTMENT BY NON-MEMBER
COUNTRIES, SAYING THIS WAS A DELICATE ISSUE WHICH
REQUIRED A CAREFUL APPROACH.

3. SECRETARIAT RESPONDED TO COMMENTS BY NOTING

(A) MINISTERS WOULD HAVE TO BE VERY CAREFUL ABOUT PUBLIC PROMISES OF INCREASED AID, EVEN IF PAPER IS MADE MORE OPTIMISTIC IN THIS RESPECT; (B) INVESTMENT PROGRAM IDEA IS NOT "DEVELOPMENT ASSISTANCE," AND SHOULD NOT SUBSTITUTE FOR EFFORTS TO INCREASE ODA, BUT RATHER A QUESTION OF "MANAGEMENT OF INTERDEPENDENCE." IT IS NOT INTENDED IN ANY WAY TO CONFLICT WITH THE BASIC HUMAN NEEDS APPROACH; (C) SECTORAL EMPHASES FOR THIS PROGRAM ARE AN IMPORTANT ELEMENT OF IT AND ARE BASED ON IDENTIFICATION OF AREAS OF LONG-TERM MUTUAL INTEREST OF NORTH AND SOUTH WHERE MARKET FORCES DO NOT APPEAR TO PROVIDE SATISFACTORY RESULTS; AND (D) WITH RESPECT TO INVESTMENT CLIMATE, SECRETARIAT WILL ELABORATE IN NEW PAPER ON MUTUAL RESPONSIBILITIES WHICH LIMITED OFFICIAL USE

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PARTIES IN INVESTMENT PROGRAM, INCLUDING LDC'S, WOULD BE EXPECTED TO HAVE.

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